

U.S.-Latin American Trade Policy Initiatives Beyond NAFTA

FTAA (the Free Trade Area of the Americas): This area will constitute the world's largest free trade area. It will transform 34 countries in the Americas with a population of 800 million into a single market. FTAA will benefit American producers by reducing high tariffs and trade barriers throughout the Western Hemisphere and promote regional economic growth and integration.

In February, the United States and the other FTAA participants tabled their initial tariff offers. The U.S. offer set the benchmark for the market access negotiations, demonstrating U.S. leadership as FTAA moves into a critical and substantive phase.

Under the U.S. proposal, about 56 percent of agricultural imports from the hemisphere would be duty-free immediately when FTAA takes effect. Other agricultural tariffs fall into staging categories of five years, 10 years or longer. The U.S. offer provides different rates of reductions to different country groups in recognition of the differences in economic size and levels of development among the FTAA countries.

Over the next several months, the United States and other FTAA countries will respond to each other's initial offers and begin negotiations for their improvement. In addition, negotiators will continue to bridge differences over the chapter texts of the FTAA agreement. Western Hemisphere trade ministers will meet in Miami in November for the first of two Ministerials to be co-chaired by the United States and Brazil to review progress of the negotiations. Launched in 1998, the FTAA negotiations are scheduled to be completed by January 2005.

To facilitate FTAA negotiations, the United States is providing assistance and coordinating trade capacity building throughout the Western Hemisphere. In fiscal 2002, the United States provided over \$102 million in trade capacity build-

ing activities to countries participating in FTAA.

Chile FTA (Free Trade Agreement):

This agreement is ushering in a more comprehensive, transparent approach to trade, and also addresses labor and environmental concerns. The culmination of negotiations that began in 1995 and concluded in January 2003, the U.S.-Chile FTA has eliminated tariffs on more than 85 percent of trade between the two nations and will phase out remaining tariffs within four years.

Because Chile had already concluded trade agreements with Canada, Mexico and the European Union, U.S. companies are often edged out by foreign competitors. The new FTA will put U.S. agricultural products on a more equitable footing in the Chilean market.

CAFTA (the Central America Free Trade Agreement): The United States is also pursuing a free trade agreement with the five nations of the Central American Common Market—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. CAFTA would benefit U.S. agriculture by providing improved access to a combined market of 35 million consumers.

The elimination of duties is expected to enhance the United States' ability to capture increased market share in the region for certain commodities. It would also provide U.S. producers and exporters access to the region for many commodities that currently face high duties and other trade restrictions.

In 2002, U.S. exports of agricultural, fish and forest products to the five Central American countries totaled \$1.1 billion. U.S. imports of total agricultural products from that region in 2002 were \$2.3 billion. Looking at the region on an aggregate basis, the leading export categories for the United States in 2002 were grains and feeds (\$461 million), oilseeds and products

(\$195 million), cotton and products (\$173 million) and horticultural products (\$112 million).

Launched on Jan. 8, 2003, the CAFTA negotiations are scheduled to be completed by December 2003.

Generalized System of Preferences:

The Trade Act of 2002 renewed the Generalized System of Preferences, which enables some 3,500 products from 140 developing economies to enter the United States duty-free. The United States is reviewing how to use this authority to expand imports from Argentina, and has invited others to submit petitions for the product review.

Caribbean Trade Partnership Act: The Act, passed in 2002, expanded the Caribbean Basin Economic Recovery Act to provide preferential tariff treatment for imports of certain products of beneficiary Caribbean and Central American countries.

Andean Trade Promotion and Drug Eradication Act: Signed in 2002, the Act extends and augments the Andean Trade Preference Act, first passed in 1991, by increasing the list of duty-free products to some 6,300.

Bilateral Concerns: The United States is working to address trade differences through regular forums, such as consultative committees. In April 2002, Mexico and the United States established a Consultative Committee on Agriculture that meets regularly to discuss trade concerns, prevent trade disruptions and resolve difficulties before they grow into larger, more intractable problems. The United States also maintains Consultative Committees on Agriculture with a growing number of other countries.